

## Glossary of Terms

Authorised Limit	This is the limit beyond which borrowing is prohibited. It reflects the level of borrowing that, while not desired or sustainable, could be required with some headroom for unexpected cash flow movements and includes both temporary borrowing for cash flow purposes and long-term borrowing to finance capital expenditure.
Balances	The reserves of the council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short-term interest rates in the money markets.
Base Rate	The rate of which the Bank of England lends to the discount houses, which effectively controls the interest rates charged throughout the banking system
Borrowing	Refers to external borrowing.
Budget	A plan of expected expenditure and income over a set period of time for example the Council's revenue budget covers a financial year.
Budget Holder	A nominated officer in a Directorate who has responsibility for the control and monitoring of a particular budget.
Budget Manager	A nominated officer in a Directorate who has responsibility for the control and monitoring of the budgets within a service area.
Budget Monitoring	The analysis and reporting of expenditure/ income against budget. Budget monitoring is carried out by Directorates alongside the Finance Service on a monthly basis.
Budgetary Control	The use of budget monitoring information to manage the budget and bring spend in on target for the year.
Business Rates	Business Rates, known as National Non Domestic Rates (NNDR) is made up of the business rates which councils collect from

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	their local businesses as their contribution to the cost of local public services. This is paid into a central pool and redistributed by central government in the local government finance settlement.
Callable Deposits	These are loans to banks, building societies or other local authorities which are for a fixed period and at fixed rate of interest but the borrower has the right to pay back the loan at certain agreed stages during the life of the loan.
Capital Financing	The resources required to fund capital payments eg, borrowing, the application of useable capital receipts; a direct charge to revenue; or, the application of a capital grant or contribution.
Capital Financing Requirement (CFR)	This measures the Council's underlying need to borrow for a capital purpose. It is a calculation of capital costs less funding from capital receipts, grants and contributions to give the balance to funded by borrowing. The Council needs to ensure that over the medium term net borrowing does not exceed the CFR. The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code.
Capital Investment / Expenditure	The total amount spent on capital including all those items capitalised under statute, eg, equal pay, redundancies and grants to third parties.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	Department for Communities and Local Government.
Consumer Price Index (CPI)	The index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy, including food, heating, household goods and travel costs. It forms the basis for the Government's inflation target which the Bank of England's Monetary Policy Committee is required to achieve.
Contingencies	Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.
Cost Centre	A code created in General Ledger to record

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	expenditure and income for a particular activity. For example a library or a school.
Council tax	The main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values) which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authority's and for use by the billing authority's own General Fund.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	Reflect the market perception of an institution's credit quality unlike credit ratings which often focus on a longer term view. CDS contracts can be compared with insurance, as a buyer of a CDS pays a premium insuring against a debt default.
Credit Rating	This is a scoring system that lenders issue people with to determine how credit worthy they are.
DCSF	Department for Children Schools and Families (now DfE).
Debt	The sum of borrowing and other long term liabilities.
DfE	Department for Education.
DWP	Department for Work and Pensions.
External debt	All borrowing, whether for capital or revenue purposes.
Fees and Charges	Income arising from the provision of a service.
Financial Regulations	Rules which set out the financial policies of the Council and help to ensure that the assets of the Authority are protected and properly deployed.
Financial Year	1 April to 31 March.
Forecast Out-turn	A prediction of the final income and expenditure based at the year end.
Formula grant	Councils can spend this money as they see fit, i.e it is not ringfenced. Formula grant is mainly made up of the business rates which councils collect from their local businesses as their contribution to the cost of local public services.

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	This is paid into a central pool and redistributed by central government in the finance settlement. Formula grant also includes funding from central government, known as 'revenue support grant' and money from the Home Office to fund police authorities, called 'principal formula Police Grant'.
Forward Deals/Deposits	These are term deposits at a stated interest rate over a stated period in the future. These are used by parties wishing to protect themselves against future interest rate movements.
General Ledger (GL)	The prime financial record for the Council. The General Ledger records all the expenditure incurred and all the income generated by the Council.
Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
Holding Accounts	Account relating to a specific building or service (internal to the Council) where costs are collected then shared out to the users of the building or service.
IFRS	International Financial Reporting Standards – the basis on which the Council's accounts are prepared from 2010/11 onwards.
Journal Transfer	A journal transfer is used to correct miscoded transactions or to allocate costs/income within or across Directorates.
Lenders Option Borrowers Option (LOBOs)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan.
LGPS	Local Government Pension Scheme.
Local Government Finance Settlement	This consists of the formula grant allocation and the business rates allocation given to local authorities each year. It consists of 2 elements: <ul style="list-style-type: none"> <li>• A provisional local government finance settlement which is normally received in</li> </ul>

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	<p>late November / early December which is then subject to consultation</p> <ul style="list-style-type: none"> <li>• A Final local government finance settlement which is normally received in late January / early February after the government has had time to consider the representations made to the provisional local government finance settlement .</li> </ul>
Long Stop Control	The Secretary of State may by direction set limits in relation to the borrowing of money by a particular local authority for the purpose of ensuring that the authority does not borrow more than it can afford.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	Consists of financial institutions and dealers in money and credit.
Net Revenue Stream	This is the net revenue budget.
Operational Boundary	This is the most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long term liabilities (e.g. finance leases and PFI), with separate boundaries having to be identified for each of these. It encompasses all borrowing, whether for capital or revenue purposes.
Other Long Term Liabilities	The sum of the amounts on the face of the balance sheet that are classified as liabilities that are for periods in excess of 12 months, other than borrowing repayable within a period in excess of 12 months eg, finance leases, PFI and Longbenton transferred debt.
PFI	Private Finance Initiative.
Precept	The levy determined by precepting authority's

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	on billing authority's. It requires the billing authority to collect income from council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authority's are the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority.
Profiling	A method by which budgets are profiled to reflect patterns of spend.
Projections	A forecast of expenditure and income to the year-end based on known commitments and trends.
Prudential Borrowing	See Unsupported borrowing.
Prudential Code	The current system of financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate within.
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.
Quantitative Easing	The printing of money by the country's central bank in order to increase the supply of money.
Reprogramming	Refers to changes to the timing of projects in the Capital Plan between years.
Reserves	Amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.
Revenue Expenditure	Expenditure on the day-to-day running costs of a service for example employees and transport.
Revenue Support Grant (RSG)	A central government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.
RPI – Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Service Area	Groups of related cost centres.
SHIP	Social Housing Investment Pot.

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Short-term	A period of less than one year.
Subjective	A subjective shows the type of expenditure incurred, for example employees. A subjective can be used to record the type of income generated, for example rent and fees.
Supported Borrowing	This is borrowing to fund expenditure in the capital plan where the annual financing costs of such borrowing is supported by government through formula grant. No new supported borrowing has been awarded since 2010/11.
Trading Account	This Account relates to the cost of providing services based on demand by Customers/clients which could be internal or external to the Council.
Treasury Management	The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
Unsupported Borrowing	This relates to borrowing to fund expenditure where the annual financing costs have to be met from the Council's own revenue resources. This is also known as prudential borrowing.
Variance	The difference between budgeted expenditure and income compared to actual expenditure and income.
Virement	A transfer of budgets from one area of the budget to another.
Yield	Return on an investor's capital investment.
Yield Curve	Graph plotting the yield of all bonds of the same credit quality with maturities ranging from the shortest to the longest available. If the resulting curve shows that short-term yields are lower than longer term yields, then it is called a positive yield curve. If short term yields are higher than longer term yields, then it is called an inverted yield curve. If there is little difference between short and long term yields, then it is a flat yield curve.